

# BAHAMAS WASTE



## ANNUAL REPORT 2012

*towards a greener tomorrow*





## **MISSION STATEMENT**

To provide the highest level of waste collection and related services to public and private customers nationwide by transporting, processing and disposing of waste in an environmentally responsible manner while protecting the public interest.



**BAHAMAS WASTE LIMITED**  
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**Green**

with our country's future in mind.  
Bahamas Waste seeks to preserve our environment.

# 2012

2012 saw our overall sales exceed \$9 million dollars for the first time in our twenty-five years of existence. Profits and dividends followed suit, a trend we feel we should be able to continue.

Our May elections resulted in a change of leadership for our government and we regretfully said goodbye to our longtime director Jerome Fitzgerald, who resigned to become a member of parliament, and serve as Minister of Education. We will miss his wisdom and mature leadership on our Board.

Later in the year we welcomed to our Board Steven Caudwell, owner and CEO of Wasteco since 1978. Wasteco is Canada's largest Canadian owned waste hauling and recycling company and Steven's experience will no doubt help us during this time of growth and expansion in to the recycling business.

We continue to be the industry leader, a position that requires a lot of responsibility and hard work. Our staff is aware of this and responds well. We have expanded our maintenance department to a two shift operation to enable us to continue to grow with the same equipment levels.



During this fiscal year we will analyze the various segments of our business with a view to eliminating that which is not profitable.

We feel the future is bright and are ready to take advantage of whatever opportunities arise.

Thank you to ALL of the employees of Bahamas Waste Limited.

  
Peter Andrews  
Chairman

**BAHAMAS WASTE LIMITED**  
**MANAGING DIRECTOR'S REPORT**

In spite of the many challenges, our 2012 Financial Year finished much stronger than anticipated. We saw our gross and net profit margins increase over the prior year and over budgeted expectations, and we have seen an 82% increase in earnings per share. Revenue for the year increased by \$1.19K or 14% over the 2011 totals and expenses rose by \$825K or 10% over the prior fiscal year. Consequently, Net Income for the year increased \$368K or by 80% higher than the previous year.

We were pleased with the Government's decision to continue with the Residential Contracts throughout 2012, and hope the trend continues in 2013, with the continued hope of an expansion in the routes given to Bahamas Waste.

*We are happy to report that we had our  
**largest dividend payout**  
in the last five years, with a return to  
shareholders of \$0.09 per share  
in October 2012.*

Changes in the political landscape, the economic environment and changes in staffing at both Managerial and non-managerial levels were all embraced without interruption. Negative movements in the commodities markets and no change in the conditions at the New Providence Sanitary Landfill continue to adversely impact our operations, and we remain focused on each of these fronts. As our fleet and operations staff continues to grow, our Management team continues to impress, and step up to plate to get the job done.

We are happy to report that we had our largest Dividend Payout in the last five years, with a return to shareholders of \$0.09 per share in October 2012.



We are also very pleased at the Board's decision to initiate a share buyback program, and although no shares were bought back in 2012, we are looking forward to obtaining shares in 2013. We are also hopeful that there will be an increase in share value in the near future which will place them more inline with where we feel they should be.

I would like to thank everyone involved in our success, in particular; our customers, shareholders, Directors, my Executive Team, and most importantly every single one of our employees who go out there every day and work to make it all happen!

Francisco de Cardenas  
Managing Director

## Independent Auditors' Report

### The Shareholders and Directors Bahamas Waste Limited

We have audited the accompanying financial statements of Bahamas Waste Limited (the Company), which comprise the statement of financial position as at December 31, 2012, and the statement of comprehensive income, statement of changes in shareholders' equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

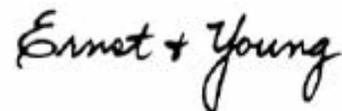
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2012, and of its financial performance and its cashflows for the year then ended in accordance with International Financial Reporting Standards.

March 21, 2013



**BAHAMAS WASTE LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
*(Expressed in Bahamian Dollars)*



	December 31	
	2012	2011
<b>Assets</b>		
Current assets		
Cash (Note 3)	\$ 515,258	\$ 111,074
Accounts receivable, net (Note 4)	1,907,201	2,095,482
Inventories	634,907	518,591
Prepaid expenses and other assets	203,117	116,192
<b>Total current assets</b>	<b>3,620,483</b>	<b>2,841,339</b>
<b>Non-current assets</b>		
Investment in associate (Note 5)	78,876	89,179
Intangible asset (Note 6)	75,000	100,000
Property, plant, and equipment, net (Note 7)	7,149,139	7,040,053
<b>Total non-current assets</b>	<b>7,303,015</b>	<b>7,229,232</b>
<b>Total assets</b>	<b>\$ 10,563,498</b>	<b>\$ 10,070,571</b>
<b>Liabilities and shareholder's equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 285,495	\$ 260,844
<b>Total current liabilities</b>	<b>285,495</b>	<b>260,844</b>
<b>Non-current liabilities</b>		
Security deposits	481,651	465,258
<b>Total liabilities</b>	<b>767,146</b>	<b>726,102</b>
<b>Shareholders' equity</b>		
Share capital and contributed surplus (Note 9)	2,794,113	2,794,113
Retained earnings	7,002,239	6,550,356
<b>Total shareholders' equity</b>	<b>9,796,352</b>	<b>9,344,469</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 10,563,498</b>	<b>\$ 10,070,571</b>

See accompanying notes.

COMMITMENTS AND CONTINGENCIES (Note 15)

Approved By The Board:

Director

Director

**BAHAMAS WASTE LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
*(Expressed in Bahamian Dollars)*

	<b>Year ended December 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Income:</b>		
Sales and services rendered	\$ 9,885,375	\$ 8,767,469
Less: cost of sales and direct expenses (Note 10)	(6,795,321)	(6,212,720)
Gross profit	3,090,054	2,554,749
<b>Expenses:</b>		
Salaries and related expenses (Notes 11 and 16)	1,090,296	985,359
General and administrative	607,873	534,868
Repairs and maintenance	179,908	177,433
Professional fees	133,474	119,320
Bad debts (Note 4)	85,000	55,808
Business license	69,737	57,187
Advertising and promotion	52,212	41,147
Directors' fees (Note 11)	34,375	37,500
Donations	33,511	27,312
Office supplies	30,834	31,397
Registrar and transfer agent fees	26,385	23,588
Interest and bank charges	15,652	25,837
Total operating expenses	2,359,257	2,116,757
Income from operations	730,797	437,992
Other income (Note 5)	99,086	23,489
Net income for the year, being total comprehensive income for the year	\$ 829,883	\$ 461,481
Earnings per share (Note 12)	\$ 0.20	\$ 0.11

See accompanying notes



**BAHAMAS WASTE LIMITED**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
*(Expressed in Bahamian Dollars)*

	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Retained Earnings</b>	<b>Total</b>
<b>Balance at</b>					
December 31, 2010	\$ 4,200,000	\$ 42,000	\$ 2,752,113	\$ 6,382,875	\$ 9,176,988
Comprehensive income	–	–	–	461,481	461,481
Dividends (Note 13)	–	–	–	(294,000)	(294,000)
<b>Balance at</b>					
December 31, 2011	4,200,000	42,000	2,752,113	6,550,356	9,344,469
Comprehensive income	–	–	–	829,883	829,883
Dividends (Note 13)	–	–	–	(378,000)	(378,000)
<b>Balance at</b>					
<b>December 31, 2012</b>	<b>\$ 4,200,000</b>	<b>\$ 42,000</b>	<b>\$ 2,752,113</b>	<b>\$ 7,002,239</b>	<b>\$ 9,796,352</b>

*See accompanying notes*





**BAHAMAS WASTE LIMITED**  
**STATEMENT OF CASH FLOWS**  
*(Expressed in Bahamian Dollars)*

	<b>Year ended December 31</b>	
	<b>2012</b>	<b>2011</b>
<b>Operating activities</b>		
Net income being comprehensive income for the year	\$ 829,883	\$ 461,481
Adjustments for items not involving use of cash:		
Bad debts expense (Note 4)	85,000	55,808
Amortization of intangible assets (Note 6)	25,000	25,000
Depreciation (Note 7)	1,317,257	1,333,565
Share of loss from investment in associate (Note 5)	10,303	14,481
Loss on disposal of property, plant, and equipment	2,462	–
	2,269,905	1,890,335
Change in non-cash working capital items:		
Decrease (Increase) in accounts receivable	103,281	(534,626)
Increase in inventories	(116,315)	(32,407)
Increase in prepaid expenses and other assets	(86,926)	(77,181)
Increase (Decrease) in accounts payable and accrued liabilities	24,653	(93,540)
Increase in security deposits	16,392	46,940
Net cash flow provided by operating activities	2,210,990	1,199,521
<b>Investing activities</b>		
Purchases of property, plant, and equipment (Note 7)	(1,428,806)	(830,606)
Proceeds from sale of property, plant, and equipment (Note 7)	5,000	–
Net cash flow used for investing activities	(1,423,806)	(830,606)
<b>Financing activities</b>		
Payment of note payable (Note 8)	–	(95,073)
Dividends paid (Note 13)	(378,000)	(294,000)
Net cash flow used for financing activities	(378,000)	(389,073)
Net change in cash	404,184	(20,158)
Cash at beginning of the year	111,074	131,232
Cash at end of the year (Note 3)	\$ 515,258	\$ 111,074
<b>Supplemental cash flow information</b>		
Interest paid	\$ 293	\$ 2,981

See accompanying notes

## 1. CORPORATE INFORMATION

Bahamas Waste Limited (the Company) was incorporated under the laws of the Commonwealth of The Bahamas on August 18, 1987. It is engaged in the business of solid and medical waste collection, disposal, and recycling, including the sale, installation, rental, and maintenance of waste compactors and containers. The Company has publicly traded shares which are registered on the Bahamas International Stock Exchange.

The registered office of the Company is located at Alexiou Knowles & Company, St. Andrews Court, Frederick Street, P.O. Box N-4805, Nassau, Bahamas. These financial statements were authorized for issuance by the Company's Board of Directors on March 31st, 2013.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

### Basis of Preparation

The financial statements have been prepared on a historical cost basis except for financial assets and liabilities which are stated at fair value. The financial statements are presented in Bahamian dollars, which is the Company's functional currency. The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. Certain prior period amounts have been reclassified to conform to current year's presentation.

### Significant Accounting Judgments, Estimates, and Assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The most significant uses of estimates and assumptions are as follows:

#### *Going Concern*

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Assets and Financial Liabilities

Financial assets and financial liabilities within the scope of IAS 39 are recognized initially at fair value. The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Company's financial assets include cash, accounts receivable, deposits, and investment in associates, while financial liabilities include accounts payable and accrued liabilities, note payable, and security deposits, as applicable.

### Accounts Receivable

Accounts receivable, which generally have 30-90 day terms, are recognized and carried at the original invoice amount less an allowance for impairment. A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Receivables from affiliated companies are recognized and carried at the original invoice amount.

### Investment in Associate

The Company's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate. The income statement reflects the Company's share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, as a change in the Company's equity accounts. Profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared as at March 31, and interim reports are provided to coincide with the year-end of the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss of the Company's investment in its associates. The Company determines at each statement of financial position date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Company calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognizes the amount in profit or loss. No impairment charges were recorded at December 31, 2012 or 2011.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Accounts Payable and Accrued Liabilities**

Liabilities classified as accounts payable and accrued liabilities which are normally settled on 30-60 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Payables to affiliated companies are carried at the original invoice amount.

### **Note Payable**

After initial recognition, interest bearing note payable is subsequently measured at amortized cost using the effective interest rate method.

### **Trade Date Accounting**

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

### **Impairment and Uncollectibility of Financial Assets**

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the carrying amount of the asset is reduced to its estimated recoverable amount either directly or through the use of an allowance account and the amount of the loss is included in the statement of comprehensive income.

### **Derecognition of Financial Assets and Liabilities**

The Company derecognizes financial assets when the contractual rights to cash flows from the asset expires or it transfers the asset and the transfer qualifies for derecognition in accordance with IAS 39, as amended. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

### **Prepaid Expenses and Other Receivables**

Prepaid expenses and other receivables are carried at cost which is the fair value of the consideration to be received in the future.

### **Inventories**

Inventories are stated at the lower of cost or net realizable value, with cost being determined using the first-in, first-out method.

### **Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is provided on the straight-line basis from the date of acquisition over the estimated useful lives of the assets which are as follows:

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, Plant, and Equipment continued

Buildings	20 years
Compactors and containers	5 – 7 years
Collection vehicles	3 – 7 years
Office vehicles	3 – 7 years
Furniture and equipment	6 years
Computer equipment	3 years
Operating equipment	5 – 10 years

The carrying amounts of the property, plant, and equipment and other non-financial assets are reviewed at each statement of financial position date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset. No such impairment was recorded during 2012 and 2011.

### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of such intangible assets is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

The useful lives of intangible assets are finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life on a straight-line basis, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible assets with finite useful lives are reviewed at least at the end of each reporting period. Changes in the expected useful life or expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate and are treated as changes in accounting estimates. Amortization expense relative to intangibles with finite useful lives is recognized in the statement of comprehensive income.

### Security Deposits

Security deposits represent amounts received as deposits from customers at the signing of a customer service contract. The deposits do not bear interest and are returned to the customer when service stops or are applied to outstanding billings in the event of a service disruption.

### Share Capital

Ordinary share capital is recognized at the fair value of the consideration received by the Company.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Revenue and Expense Recognition**

Revenue is recognized to the extent that it is probably that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is based on services provided to customers daily, and is accrued when services are rendered. Expenses are recognized on the accrual basis.

### **Income Taxes**

There are no income taxes imposed on the Company in the Commonwealth of The Bahamas.

### **Related Parties**

Related parties include companies under the control of the major shareholders of the Company. All balances and transactions with related parties have been disclosed in the financial statements and are stated at cost.

### **Adoption of new and Revised International Financial Reporting Standards**

The accounting policies adopted are consistent with those used in the previous financial year. The following International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and International Financial Reporting Standards (IFRS) issued by the International Financial Reporting Interpretations Committee (IFRIC) are relevant to the Company.

Amendments to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- Amendments to IFRS 7 – *Disclosures – Transfers of Financial Assets*
- Amendments to IFRS 1 – *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to IAS 12 – *Deferred Tax: Recovery of Underlying Assets*

### **New Standards, Interpretations and Amendments to Published Standards Relevant to the Company That are Not Yet Effective**

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after January 1, 2013 or later periods but which the Company has not early adopted are as follows:

Effective for annual periods beginning on or after January 1, 2013:

- IFRS 10 – *Consolidated Financial Statements*
- IFRS 11 – *Joint Arrangements*
- IFRS 12 – *Disclosure of Interests in Other Entities*
- IFRS 13 – *Fair Value Measurement*
- IAS 27 (Revised) – *Separate Financial Statements*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### New Standards, Interpretations and Amendments to Published Standards Relevant to the Company That are Not Yet Effective continued

- IAS 28 (Revised) – *Investments in Associates and Joint Ventures*
- Amendment to IAS 1 – *Presentation of Items of Other Comprehensive Income*
- IAS 19 (Revised) – *Employee Benefits*
- Amendments to IFRS 7 – *Disclosures - Offsetting Financial Assets and Financial Liabilities*
- Amendments to IFRS 1 – *Government Loans*

Effective for annual periods beginning on or after January 1, 2014:

- Amendment to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*

Effective for annual periods beginning on or after January 1, 2015:

- IFRS 9 — *Financial Instruments (issued in 2010)*
- Amendments to IFRS 7 and IFRS 9 – *Mandatory Effective Date and Transition Disclosures*

The Company is currently assessing the impact of the new and revised standards, however, does not anticipate any material impact on the results of its operations from the implementation of these new standards when they become effective.

## 3. CASH POSITION

For the purpose of the statement of cash flows, cash comprises the cash on hand and at the bank at the balance sheet date.

The Company has an agreement with the RBC Royal Bank (Bahamas) Limited for an overdraft facility of \$300,000. The facility is unsecured and bears interest at a rate of Nassau Prime +3.00% (7.75%) (2011 – 7.75%). The Company also maintains an overdraft facility at CIBC FirstCaribbean International Bank (Bahamas) Limited of \$100,000. The facility is unsecured and bears interest at a rate of Nassau Prime +3.50% (8.25%) (2011 – 8.25%). At December 31, 2012, the Company had \$400,000 (2011 – \$400,000) of undrawn funds available from its approved overdraft facilities.



### 3. CASH POSITION CONTINUED

The Company also has a Corporate VISA facility from RBC Royal Bank (Bahamas) Limited with a limit of \$50,000. As of December 31, 2012, none of this amount was used (2011 – nil).

### 4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	<b>2012</b>	<b>2011</b>
Receivables from Related Parties	\$ 8,144	\$ 7,874
Trade receivables	2,169,884	2,272,655
	<u>2,178,028</u>	<u>2,280,529</u>
Less: provision for impairment	(270,827)	(185,047)
	<u>\$ 1,907,201</u>	<u>\$ 2,095,482</u>

As at December 31, 2012, accounts receivable with a nominal value of \$85,000 (2011 – \$55,808) were impaired and fully provided for. No accounts were written off in 2012 (2011 – \$9,478), but movements in the provision for impairment include restored balances of \$780 (2011 – \$1,166).

### 5. INVESTMENT IN ASSOCIATE

The Company holds a 19% interest in the shares of Green Systems Ltd., a Company incorporated under the laws of the Commonwealth of The Bahamas and engaged in the business of green waste recycling for the manufacture of mulch, compost, and soil. During 2012 and 2011, the Company made no additional investment in the Associate. The Company's share of net loss from its investment in associate was \$10,303 for the year ended December 31, 2012 (2011 – \$14,481) and is included in other income (expense) in the statement of comprehensive income. The carrying value of the investment in associate is \$78,876 (2011 – \$89,179).



**6. BUSINESS ACQUISITION AND INTANGIBLE ASSET**

On March 31, 2010, the Company entered into an agreement to acquire the Rear Load Commercial Garbage business from WasteNot Limited effective May 1, 2010. The total purchase was for the sum of \$400,000, for which the last installment payment was paid in full as of September 30, 2010.

The fair value of the identifiable assets of WasteNot Limited and the intangible asset derived from the existing customer accounts of WasteNot Limited that were transferred to the Company as at the date of acquisition were as follows:

Equipment	\$	275,000
Intangible asset		125,000
Purchase price of acquisition	\$	400,000

The intangible asset relative to the WasteNot customer accounts has been determined to have a finite useful life, and is being amortized over a five-year period.



**BAHAMAS WASTE LIMITED**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
*(Expressed in Bahamian Dollars)*  
 December 31, 2012

**7. PROPERTY, PLANT AND EQUIPMENT**

The movement of property, plant, and equipment for the year ended December 31, 2012, was as follows:

	Opening Balance	Additions	Disposals	Ending Balance
<b>Cost:</b>				
Land	\$ 986,508	\$ –	\$ –	\$ 986,508
Buildings	4,131,359	2,670	–	4,134,029
Compactors and containers	7,363,085	824,689	(54,912)	8,132,862
Collection vehicles	6,990,101	476,147	–	7,466,248
Office vehicles	161,391	26,455	–	187,846
Furniture and equipment	294,176	73,176	–	367,352
Computer equipment	269,860	6,379	–	276,239
Operating equipment	1,121,185	19,290	–	1,140,475
	21,317,665	1,428,806	(54,912)	22,691,559
<b>Depreciation</b>				
Land	–	–	–	–
Buildings	1,503,508	221,292	–	1,724,800
Compactors and containers	6,194,495	504,547	(52,450)	6,646,592
Collection vehicles	5,705,352	372,869	–	6,078,221
Office vehicles	89,650	17,414	–	107,064
Furniture and equipment	228,868	24,589	–	253,457
Computer equipment	195,494	28,970	–	224,464
Operating equipment	360,245	147,576	–	507,822
	14,277,612	1,317,257	(52,450)	15,542,420
<b>2012 book value</b>	<b>\$ 7,040,053</b>	<b>\$ 111,549</b>	<b>\$ (2,462)</b>	<b>\$ 7,149,139</b>



## 7. PROPERTY, PLANT AND EQUIPMENT (continued)

The movement of property, plant, and equipment for the year ended December 31, 2011, was as follows:

	Opening Balance	Additions	Disposals	Ending Balance
<b>Cost:</b>				
Land	\$ 986,508	\$ –	\$ –	\$ 986,508
Buildings	3,582,993	548,366	–	4,131,359
Compactors and containers	6,948,409	414,676	–	7,363,085
Collection vehicles	6,901,494	215,500	(126,893)	6,990,101
Office vehicles	88,435	72,956	–	161,391
Furniture and equipment	253,779	40,397	–	294,176
Computer equipment	251,725	22,273	(4,138)	269,860
Operating equipment	544,542	576,643	–	1,121,185
Construction in progress	1,060,205	(1,060,205)	–	–
	<u>20,618,090</u>	<u>830,606</u>	<u>(131,031)</u>	<u>21,317,665</u>
<b>Depreciation</b>				
Land	–	–	–	–
Buildings	1,286,119	217,389	–	1,503,508
Compactors and containers	5,676,357	518,138	–	6,194,495
Collection vehicles	5,416,382	415,863	(126,893)	5,705,352
Office vehicles	88,434	1,216	–	89,650
Furniture and equipment	207,149	21,719	–	228,868
Computer equipment	171,959	27,673	(4,138)	195,494
Operating equipment	228,678	131,567	–	360,245
	<u>13,075,078</u>	<u>1,333,565</u>	<u>(131,031)</u>	<u>14,277,612</u>
2011 book value	<u>\$ 7,543,012</u>	<u>\$ (502,959)</u>	<u>\$ –</u>	<u>\$ 7,040,053</u>

Depreciation expense is allocated to cost of sales and direct expenses (Note 10) in the amount of \$1,141,011 (2011 – \$1,161,622) and general and administrative expenses in the amount of \$176,246 (2011 – \$171,943).

As at December 31, 2011, \$1,060,205 in cost related to the construction of its Waste Vegetable Oil (WVO) recycling facility and the purchase of processing equipment was transferred from construction in progress to buildings, transportation, vehicles, furniture, and equipment as applicable. The facility, which converts waste vegetable oil into Biodiesel for use in the Company's vehicles and various equipment, became fully operational as of February 1, 2011, and depreciation related to those assets is now being recognized.

**7. PROPERTY, PLANT, AND EQUIPMENT (continued)**

Fully depreciated property and equipment that are still being used by the Company as of December 31, 2012, amounted to \$9,153,881 (2011 – \$8,887,748).

**8. NOTE PAYABLE**

On June 1, 2008, the Company entered into an agreement to purchase property adjacent to its existing location for \$500,000. Pursuant to that agreement, the Company paid the vendor \$100,000 and entered into a promissory note agreement with the vendor, Davandon Holdings Limited, for the balance of \$400,000. The term of the note was five years with an interest rate of 7.00% per annum. The principals of Davandon Holdings Limited are also the majority shareholders of the Company. The note payable was satisfied on September 30, 2011.

**9. SHARE CAPITAL**

Authorized: 10,000,000 ordinary shares @ \$4,200,000 each (2011 – 10,000,000 shares of \$0.01 each)

	2012	2011
	100,000	100,000

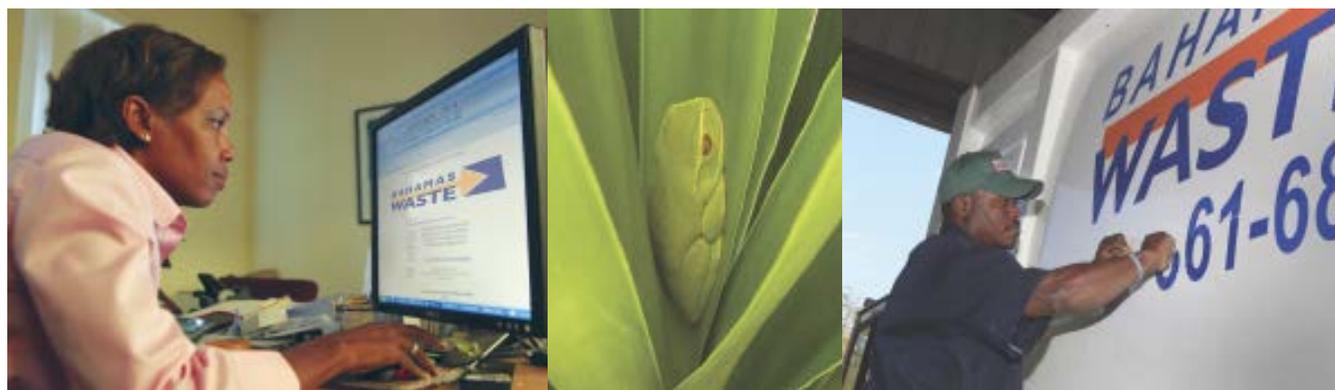
Issued and fully paid: 42,000 ordinary shares (2011 – 4,200,000 shares)

	42,000	42,000
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At December 31, share capital and contributed surplus was comprised of the following:

Share capital  
 Contributed surplus

	2012	2011
Share capital	\$ 42,000	\$ 42,000
Contributed surplus	2,752,113	2,752,113
	<u>\$ 2,794,113</u>	<u>\$ 2,794,113</u>



## 10. COST OF SALES AND DIRECT EXPENSES

Cost of sales and direct expenses comprise the following:

	<b>2012</b>	<b>2011</b>
Salaries and related expenses	\$ 2,973,131	\$ 2,642,502
Repairs and maintenance	1,475,222	1,514,407
Depreciation expense (Note 7)	1,141,011	1,161,622
Fuel	924,667	643,028
Landfill fees	194,290	154,661
Autec shipping expenses	62,000	71,500
Other	25,000	25,000
	<u>\$ 6,795,321</u>	<u>\$ 6,212,720</u>

## 11. RELATED-PARTY BALANCES AND TRANSACTIONS

The following is a summary of the balances at December 31, 2012 and 2011, and the transactions during the year then ended with related parties:

	<b>2012</b>	<b>2011</b>
Accounts receivable	\$ 11,156	\$ 8,074
Additions to property, plant, and equipment	\$ 4,213	\$ 17,608
Accounts payable and accrued liabilities	\$ 1,695	\$ 4,937
Sales and services rendered	\$ 36,802	\$ 39,127
Repairs and maintenance – cost of sales	\$ 7,320	\$ 69,917
Professional fees	\$ 48,360	\$ 48,360
Interest and bank charges	\$ –	\$ 2,981

Compensation of key management personnel of the Company:

	<b>2012</b>	<b>2011</b>
Short-term employee benefits	\$ 708,826	\$ 671,780
Defined contribution pension and medical insurance expense	99,564	94,220
Total compensation paid to key management personnel	<u>\$ 808,390</u>	<u>\$ 766,000</u>

## 11. RELATED-PARTY BALANCES AND TRANSACTIONS (continued)

Pursuant to an approval from the Board of Directors, the Chairman of the Board also provides consulting services to the Company. Fees paid relative to this agreement for the year ended December 31, 2012, amounted to \$57,604 (2011 – \$56,782), inclusive of telephone and medical insurance expenses. These fees are included in professional fees, salaries and related expenses, and general and administrative expenses. The Chairman of the Board is also a major shareholder of the Company. The other non-executive directors were paid directors fees of \$34,375 (2011 – \$37,500) for services rendered and do not receive any other types of benefits from the Company

## 12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	<b>2012</b>	<b>2011</b>
Net income attributable to ordinary shares	\$ 829,883	\$ 461,481
Weighted average number of ordinary shares outstanding	4,200,000	4,200,000
Earnings per share	\$ 0.20	\$ 0.11

There were no dilutive securities outstanding during the 2012 and 2011.

## 13. DIVIDENDS

Dividends are declared at the discretion of the Board of Directors. A dividend payout ratio of 50% – 70% of net income is used as a basis for declared amounts, subject to the capital requirements and liquidity of the Company. During 2012, dividends totaling \$378,000 (\$0.09 per share) were declared by the Board of Directors and paid on October 26, 2012 (2011 – \$294,000).

## 14. SEGMENT INFORMATION

For management purposes, operating divisions are grouped into four reportable segments as follows, based on the general nature of services:

- Collections includes all solid and wet waste collection, treatment and disposal, including roll-on/roll-off and rear load collections, medical waste collections, portable toilet services.
- WVO Recycling entails the collection of waste cooking oil and the conversion of same into biodiesel for use in various vehicles and equipment across the operating divisions.
- OCC Recycling collects and bales various paper products for export.
- Corporate Administration provides oversight and administrative support to all divisions.



#### 14. SEGMENT INFORMATION (continued)

Management monitors the operating results of its various divisions for the purpose of performance assessment, particularly with respect to the start-up and growth of its new recycling ventures. Administrative overheads are managed on a group basis and are, therefore, viewed separately and are not allocated to operating segments. Biodiesel consumption is allocated to the various operating divisions based on average market prices of premium diesel.

December 31, 2012	Collections		WVO Recycling		OCC Recycling		Corporate		Total	
<b>Revenue</b>										
External customers	\$	9,813,861	\$	–	\$	71,513	\$	99,086	\$	9,984,460
Inter-segment revenue (expense)		(441,684 )		448,053		(6,369 )		–		–
<b>Total revenue</b>	<b>\$</b>	<b>9,372,177</b>	<b>\$</b>	<b>448,053</b>	<b>\$</b>	<b>65,144</b>	<b>\$</b>	<b>99,086</b>	<b>\$</b>	<b>9,984,460</b>
Segment profit	\$	3,354,150	\$	(68,454 )	\$	(195,751 )	\$	(2,260,063 )	\$	829,882
Operating assets	\$	6,519,440	\$	1,014,223	\$	645,292	\$	2,384,543	\$	10,563,498
Operating liabilities	\$	545,729	\$	–	\$	–	\$	221,417	\$	767,146
<b>Other segment information</b>										
Depreciation & amortization	\$	940,077	\$	109,337	\$	91,597	\$	201,246	\$	1,342,258
Salaries and related expenses	\$	2,748,091	\$	93,738	\$	133,930	\$	1,090,296	\$	4,066,055
Repairs and maintenance and fuel	\$	1,880,591	\$	308,912	\$	30,848	\$	179,907	\$	2,400,258

<b>December 31, 2011</b>										
<b>Revenue</b>										
External customers	\$	8,639,625	\$	–	\$	127,844	\$	23,489	\$	8,790,958
Inter-segment		(161,290 )		166,661		(5,371 )		–		–
<b>Total revenue</b>	<b>\$</b>	<b>8,478,335</b>	<b>\$</b>	<b>166,661</b>	<b>\$</b>	<b>122,473</b>	<b>\$</b>	<b>23,489</b>	<b>\$</b>	<b>8,790,958</b>
Segment profit	\$	2,884,312	\$	(179,763 )	\$	(149,800)	\$	(2,093,268 )	\$	461,481
Operating assets	\$	6,494,155	\$	1,056,001	\$	740,793	\$	1,779,622	\$	10,070,571
Operating liabilities	\$	592,452	\$	–	\$	–	\$	133,650	\$	726,102
<b>Other segment information</b>										
Depreciation & amortization	\$	1,003,669	\$	98,139	\$	84,814	\$	171,943	\$	1,358,565
Salaries and related expenses	\$	2,398,562	\$	82,070	\$	133,520	\$	985,359	\$	3,599,511
Repairs and maintenance and fuel	\$	1,734,747	\$	160,176	\$	47,619	\$	177,433	\$	2,119,975

## **15. COMMITMENTS AND CONTINGENCIES**

The Company guarantees its compactors sales for a 60-day period from the date of purchase. Any claims pursuant to these guarantees are reimbursable by the manufacturer.

## **16. EMPLOYEE PENSION PLAN**

The Company began a defined contribution pension plan on July 1, 2004. The manager of the plan is Colina Financial Advisors Ltd. The Company matches up to 5.00% of the contributions of the participants of the plan. Contributions to the plan for 2012 amounted to \$114,960 (2011 – \$103,077). Participants are entitled upon termination, retirement, disability, or death, to redeem their portion of the plan's assets, and are entitled to a portion of the Company's contributions after participation in the plan for a minimum of five years, with complete vesting after ten years of participation.

## **17. FINANCIAL RISK MANAGEMENT**

### **General**

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits, and other controls. The process of risk management is critical to the Company's ongoing profitability and each individual within the Company is accountable for the risk exposures related to their responsibilities. The Company is exposed to credit risk, liquidity risk, interest rate risk, and market risk. The Company is also subject to general operating risks.

The risk control process does not include business risks such as changes in the environment, technology, and industry. These risks are managed through the Company's strategic management processes.

### **Risk Management Structure**

The Board of Directors is ultimately responsible for identifying and controlling risks. The Company does not have a significant amount of financial risks due to its operations and as such, separate committees on the Board of Directors are not considered necessary. The Company does not have any trading positions.

### **Risk Management and Reporting Systems**

The Company's risks are measured using a method which reflects both expected and unexpected losses. The risk measurements are based on historical experiences. Based on historical experience there are no significant risks of loss from credit risks, liquidity risks, interest rate risks, or market risks.

## 17. FINANCIAL RISK MANAGEMENT (continued)

### Risk Concentration and Credit Risk

The Company does not have any significant concentrations of general risk or credit risk as the majority of its customers do not have business with the Company that is material to its operations; however, the top five of the Company's customers contributed to 14% (2011 – 17%) of the Company's outstanding accounts receivable and 24% (2011 – 21%) of the Company's annual sales and services rendered. The Company has experienced credit losses which are in line with management's expectations and are reasonable as its customers are primarily small businesses.

### Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. This risk is mitigated due to management's ability to temporarily borrow funds from its bankers and the monitoring of cash flow needs by management on a daily basis.

At December 31, 2012 and 2011, significant monetary assets and liabilities by remaining maturity were as follows:

	Due on Demand	Less than 3 Months	3 – 12 Months	More than 12 Months	2012
<b>Assets</b>					
Cash	\$ 515,258	\$ –	\$ –	\$ –	\$ 515,258
Accounts receivable, net	1,907,201	–	–	–	1,907,201
Other receivables and prepaid	190,216	–	–	–	190,216
	<u>\$ 2,612,675</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 2,612,675</u>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 285,495	\$ –	\$ –	\$ –	\$ 285,495
Security deposits	481,651	–	–	–	481,651
	<u>\$ 767,146</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 767,146</u>
	Due on Demand	Less Than 3 Months	3 – 12 Months	More Than 12 Months	2011
<b>Assets</b>					
Cash	\$ 111,074	\$ –	\$ –	\$ –	\$ 111,074
Accounts receivable, net	2,095,482	–	–	–	2,095,482
Other receivables and prepaid	103,292	–	–	–	103,292
	<u>\$ 2,309,848</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 2,309,848</u>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 260,844	\$ –	\$ –	\$ –	\$ 260,844
Security deposits	465,258	–	–	–	465,258
	<u>\$ 726,102</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 726,102</u>

## **17. FINANCIAL RISK MANAGEMENT (continued)**

### **Interest Rate Risk**

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The Company's exposure to interest rate risk relates primarily to the overdraft facility.

Interest rate risk on the Company's overdraft facilities is not material.

## **18. CAPITAL MANAGEMENT**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares. No changes were made in the objectives, policies, or processes during the years ended December 31, 2012 and 2011.

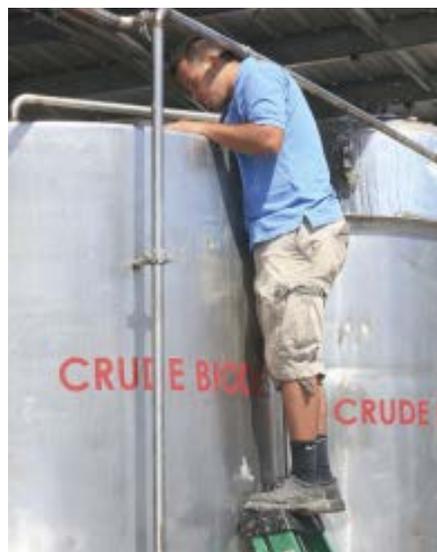
The Company monitors capital uses ratios which compare income, assets, and liabilities to capital. The Company does not have any statutory or regulatory capital requirements and as such, management adjusts capital levels as required for the Company's future development plans and returns the remainder of its capital to its shareholders.

## **19. SUBSEQUENT EVENTS**

There were no significant events occurring after the reporting period that requires adjustment to or disclosure in the financial statements.



*Teamwork makes it all happen*



**BAHAMAS WASTE LIMITED**  
NOTES

